
THE I/FAX



ADMINISTERED BY ILLINOIS STATE TREASURER ALEXI GIANNOULIAS

Contact us at www.illinoisfunds.com or 1-800-346-7414

MARCH 2010

Page 1 of 2

MARKET PERSPECTIVE

By Mark Polistina

The Two Year Anniversary

We are quickly approaching the two year anniversary of what for many marked the beginning of the current economic morass. Not all remember that fateful Friday morning when Bear Stearns announced to the world that they could no longer attain the liquidity from the marketplace for the funding of their operations. This was the result of many factors, most notably, a lack of confidence by the market relating to this firm's viability to continue, perpetrated by escalating rumors. Securities and Exchange Commission Chairman Christopher Cox described the reason for the demise as "...market counterparties became less willing to enter into collateralized funding arrangements with Bear Stearns." In fact, this lack of

confidence can be shown by Bear Stearns' liquidity pool, market participants willing to loan funds on a short term basis in exchange for collateral, dropping from over \$18 billion on Monday to nearly \$2 billion by the end of the day on Thursday.

To some, this seemed like the beginning of trouble. To others, this was just more proof of the march toward impending economic doom. Regardless of how we view that day, it most certainly drew a very large beacon of light on the financial industry's overuse of leverage. For myself, that day began what could only be described as an 18 month period of nights with little sleep because various news sources could be checked every few hours.

Today it seems that, at the very least, the worst of those troubles are

behind us. We are currently either in the midst of a recovery or we're taking an economic respite. At this point, the only certainty is that we are not at the "Precipice," as Chairman Bernanke called it. At worst, we've temporarily moved a few blocks north. At best, we're on the highway slowly moving towards prosperity.

Markets

We do not expect any radical change in the interest rate environment until, at the earliest, mid-2010. As a note: keep an eye on the U.S. Treasury yield curve. At what point does the issuance of Treasury securities become so large that market participants begin to require higher yields/lower prices to take on the excess volume?

Mark Polistina is the Portfolio Manager for The Illinois Funds.

Wire Transfer Agreement

In an effort to reduce the risk of payment fraud, The Illinois Funds and U.S. Bank are working in partnership to further tighten controls with regard to the wire transfer process.

All Illinois Funds participants should have received a new Wire Transfer Services Agreement in the mail. Each Illinois Funds participant must return the signed document(s) to U.S. Bank for each account wires are processed through.

The form(s) must be signed by the appropriate individuals for the respective accounts and returned to U.S. Bank. As of January 31, 2010, U.S. Bank no longer is able to transfer funds for your governmental entity via wire without an updated form.

In addition, if you have staffing changes in the future, it is critical that you keep The Illinois Funds and U.S. Bank informed and document new signers. In addition to filling out a new Wire Transfer Services Agreement for all appropriate accounts, please also fill out a "Change of Information" form on all of your Illinois Funds accounts. The Change of Information form is the same form as a new account application. Simply check the appropriate box on the upper left corner of the form. All of these forms are available on our website at www.illinoisfunds.com.

If you have questions, please call our custodian bank, U.S. Bank, toll-free at (800) 947-8479. Or, feel free to call the Illinois Funds toll free at (800) 346-7414.

Recent Fund Data

Recent Illinois Funds performance information, public and private sector rate comparison data, and fund composition data, for the months ending November 2009, December 2009, and January 2010, can be found at our website www.illinoisfunds.com.

This data for the month ending February 2010 can be found on the second page of this month's I/Fax newsletter. If you need any further information, please call us at 800-346-7414.

Yesterday's Rate 3/7/10

Money Market Fund

0.118%



Safety, Liquidity and Yield



Illinois Funds yields for the period ending 2/28/10

Money Market Fund (Daily Liquidity)

Net Portfolio Assets (in millions)	\$5,133
Monthly Investment Earnings (in 1000's)	\$358
7 Day Yield*	0.09%
One Month Yield*	0.09%
Net Asset Value (per share)	\$1.00
Weighted Average Maturity	41

*Yield Net of Fees

Monthly Public Sector Rate Comparison

The Illinois Funds, Money Market Fund				0.09%
S&P Govt Inv Pool-Govt Fund Index	0.13%	S&P Govt Inv Pool-Taxable Funds Index		0.16%
IL School Dist Liquid Asset	0.08%	IL School Dist Liquid Asset Max		0.22%
3 Month Treasury Bill	0.10%	6 Month Treasury Bill		0.17%

Monthly Private Sector Rate Comparison

The Illinois Funds, Money Market Fund				0.09%
IMoneynet™ - Govt. Institutional	0.01%	Federated Govt Obligations		0.02%
Fidelity - 695 Treas Fund	0.01%	Fidelity - 57 Govt Fund		0.04%
Goldman Fin Sq Treas Fund - 468	0.01%	Goldman Fin Sq Govt Fund - 465		0.02%
30 Day Time Deposit	0.15%	90 Day Time Deposit		0.62%

MONEY MARKET FUND COMPOSITION

44.8% - Repurchase Agreements
 11.7% - Money Market Funds
 1.1% - Certificates of Deposit
 17.5% - Commercial Paper
 14.6% - US Government Agencies
 0.5% - FDIC Insured Corporate Floater
 9.8% - FDIC Insured Accounts

E-Pay Account Rate

0.118% 3/7/10

1-866-831-5240

www.illinoisepay.com

Rapid Revenue Acct. Rate

0.118% 3/7/10

1-800-346-7414

Visit our website at www.illinoisfunds.com for further information.